

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)

)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, MARCH 5, 2003

10:05 A.M.

Reported by:
Peter Petty
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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairperson

Arthur H. Rosenfeld

John L. Geesman

James D. Boyd

STAFF PRESENT

Robert Therkelsen, Executive Director

William Chamberlain, Chief Counsel

Betty McCann, Secretariat

Philip Misemer

Susan Gefter

James Reede, Jr.

Gabriel Herrera

Marwan Masri

Shahid Chaudhry

Susan Patterson

Nancy Libonati

Avtar Bining

Adrienne Kandel

Kelly Birkinshaw

PUBLIC ADVISER

Roberta Mendonca

ALSO PRESENT

Angela Kendall

ALSO PRESENT

Scott A. Galati, Attorney
Galati & Blek, LLP

Bart E. Croes, P.E., Chief
California Air Resources Board

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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P R O C E E D I N G S

10:05 a.m.

CHAIRMAN KEESE: Call this meeting of the Energy Commission to order. Commissioner Boyd, will you lead us in the Pledge, please.

(Whereupon the Pledge of Allegiance was recited by all.)

CHAIRMAN KEESE: Commissioner Geesman will be joining us. Commissioner Pernell is out of the state.

Before we start, Mr. Misemer, special privilege.

MR. MISEMER: Good morning, Chairman and Commissioners. I want to begin by thanking Chairman Keese and the Commissioners for their support of this resolution for the Kendall Family.

With us today are Mrs. Angela Kendall, Robert Kendall's sons, Tom Kendall, John Kendall and daughter Kathy Fitzgerald. And from the Alzeta Corporation, John Sullivan, Senior Vice President, and Andy Minden, Vice President.

Why are we honoring Dr. Kendall? Simply said, he was part of the foundation of our California energy research community. For nearly 20 years the Commission has worked with this

1 community to bring forth innovations that have
2 improved the quality of life for all Californians.

3 Many of these innovations resulted from
4 Bob Kendall's skills as a researcher and his
5 tenacity in pursuing excellence. And working with
6 Dr. Kendall was to work with excellence.

7 I think that I speak for all of us here
8 who knew Bob; we're glad to have known him and
9 we'll miss him.

10 Now, I'd like to ask Commissioner
11 Rosenfeld if he would kindly read the resolution.

12 CHAIRMAN KEESE: Thank you.

13 COMMISSIONER ROSENFELD: I want to say
14 to the Kendall Family and to the Alzeta folks,
15 welcome. And I'm the Chairman of the R&D
16 Committee, and I want to say I have the honor of
17 being the Chairman of the R&D Committee because I
18 think the PIER program is a jewel and panoply of
19 the Energy Commission, and Kendall was a bright
20 part of that. So, I'm honored to have the
21 privilege of reading this resolution:

22 Whereas, Dr. Robert Kendall's innovations
23 increased the efficient use of natural gas in
24 thousands of industrial processes in
25 California thereby conserving this precious

1 and invaluable fuel, and reducing industrial
2 costs;

3 Whereas, as a result of Dr. Kendall's cleaner
4 burning technologies thousands of tons of
5 harmful toxic emissions are no longer
6 released into the air Californians breathe;

7 Whereas, Dr. Kendall's innovations created
8 hundreds of jobs in California;

9 Whereas, Dr. Kendall's successful innovations
10 resulted in the repayment from royalties of
11 hundreds of thousands of dollars in state
12 research and development loans and successful
13 projects;

14 Whereas, Energy Commission research and
15 development contracts were more successful
16 because of Dr. Kendall's thoughtful and
17 patient problem-solving approach;

18 Therefore, be it resolved that the California
19 Energy Commission is saddened at the passing
20 of a valued friend, colleague and genius.

21 However, Dr. Kendall has left an indelible
22 memory and inspiration in the hearts of those
23 staff members fortunate enough to have worked
24 with him and his research efforts will be a
25 legacy to our state for many many years to

1 come. Signed by the five Commissioners.

2 CHAIRMAN KEESE: Thank you, Commissioner
3 Rosenfeld.

4 (Applause.)

5 MRS. KENDALL: Mr. Chairman, gentlemen,
6 I'm very privileged to be able to accept this in
7 honor of Bob and Alzeta Corporation. He had a
8 beautiful mind, a beautiful heart. I don't do
9 numbers, but we were married for 45 years, 3
10 months, 15 days and one hour.

11 Thank you.

12 (Applause.)

13 CHAIRMAN KEESE: Thank you.

14 Consent calendar.

15 COMMISSIONER ROSENFELD: I move the
16 consent calendar.

17 CHAIRMAN KEESE: Motion, Commissioner
18 Rosenfeld.

19 COMMISSIONER BOYD: Second.

20 CHAIRMAN KEESE: Second, Commissioner
21 Boyd. All in favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed? Adopted four
24 to nothing.

25 Item 2, Magnolia Power Project.

1 Possible approval of the Presiding Member's
2 Proposed Decision recommending certification of
3 the proposed 250 megawatt Magnolia Power Plant.
4 Ms. Gefter.

5 HEARING OFFICER GEFTER: Good morning,
6 Commissioners. I'm Susan Gefter. I was the
7 Hearing Officer for the Committee that heard the
8 proceeding on the application for certification
9 for the Magnolia Power Project.

10 And Commissioner Geesman was Presiding
11 Member and Commissioner Rosenfeld was the
12 Associate. I don't know if Commissioner Geesman
13 has some opening remarks that you would like to
14 offer?

15 COMMISSIONER GEESMAN: Well, I'll be
16 very brief, because the proceeding was very brief.
17 And I want to commend both the applicant and the
18 staff for the spirit with which they addressed
19 this, and the timeliness with which they conducted
20 the case.

21 I'd also go on to, I think, single out
22 the applicant to other applicants that come before
23 us. This proceeding would not have gone as
24 smoothly as it did had it not been for the
25 exceptional relationship with the surrounding

1 community that the applicant had.

2 We have several other cases that I'm
3 pleased to say and pleased to be a part of that
4 enjoy a similar level of local public support.
5 And, believe me, it makes it a lot easier for this
6 Commission to timely move through the process when
7 there's been as much advanced groundwork laid at
8 the local level.

9 CHAIRMAN KEESE: Ms. Gefter

10 HEARING OFFICER GEFTER: The Commission
11 has before it today the proposed decision issued
12 by the Committee, as well as a list of errata
13 which we issued yesterday, and it was distributed
14 to all the parties. And the Commissioners have
15 copies of the errata.

16 And what were asking the Commission do
17 today is to adopt the proposed decision, along
18 with the errata. And the errata will be
19 incorporated into the decision as the final
20 Commission decision.

21 The errata were based on the new
22 evidence that we received at the February 24th
23 hearing on this case, as well as comments filed by
24 the parties.

25 We had one evidentiary hearing November

1 18th, and then we had a second hearing on February
2 18th to resolve all issues. And in this case
3 everything is resolved.

4 I also want to commend the applicant on
5 this project. This is a project sponsored by the
6 Southern California Public Power Authority. And
7 it will be built on an existing power plant site
8 owned by the City of Burbank. It will serve six
9 cities and SCPPA participating municipalities, and
10 will provide new demand for those cities.

11 So this is a project that, you know, the
12 Commission was -- this is an ideal project for the
13 Commission. We know this project will be built;
14 it's being built in a brownfield. It will serve
15 the local community and there's community support
16 for the project.

17 And at this point we have the applicant
18 present, Scott Galati is counsel for the
19 applicant, and would like to make a presentation.

20 CHAIRMAN KEESE: Thank you. I guess my
21 question, Mr. Galati, the AFC with the errata, is
22 that acceptable at this point?

23 MR. GALATI: Yes, it is acceptable to
24 the applicant.

25 CHAIRMAN KEESE: And staff?

1 MR. REEDE: James Reede, appearing for
2 the staff. Yes, it is acceptable to staff.

3 CHAIRMAN KEESE: Thank you, Mr. Reede.
4 Is there anyone else who wishes to speak to this
5 issue?

6 Seeing none, --

7 COMMISSIONER GEESMAN: Are you ready for
8 a motion?

9 CHAIRMAN KEESE: -- I'm ready for a
10 motion.

11 COMMISSIONER GEESMAN: I would move that
12 we approve the Presiding Member's Proposed
13 Decision.

14 COMMISSIONER ROSENFELD: I second.

15 CHAIRMAN KEESE: With the errata.

16 COMMISSIONER GEESMAN: With the errata.

17 CHAIRMAN KEESE: Motion, Geesman;
18 second, Rosenfeld.

19 All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed? Adopted four
22 to nothing. Mr. Galati, do you -- briefly?

23 MR. GALATI: We would like to thank the
24 Commission for granting our license today. We'd
25 also like to specifically thank Commissioner

1 Geesman for helping us with the timeliness
2 production of the Presiding Member's Proposed
3 Decision, and getting us to this date.

4 As you know, this is a very important
5 project. There are six cities participating. It
6 has taken a bit longer than we'd like, but we're
7 going to be able to immediately turn around and
8 build this project and serve the needs of the
9 citizens of those six cities.

10 I'd like to specifically recognize, to
11 my left, Bruce Blowey, who is the Project Manager
12 and Director for the project since its inception.
13 With us also we have Fred Fletcher who is a
14 Representative of the City of Burbank, intimately
15 familiar with the site; and helped us craft
16 language, helped us understand the site and how it
17 operates; and was instrumental to the project.

18 We also have with us Ron Maxwell who is
19 engineering support for the project, and who also
20 was invaluable. Probably people who don't get
21 mentioned often but should be, is the folks from
22 URS behind me.

23 That's Sidney Poray and also Doug Hahn.
24 They've had the arduous task of putting together
25 an AFC and responding to data adequacy and data

1 responses, and trying to understand the technical
2 things and be able to describe them in layman's
3 terms.

4 So, I'd like to specifically thank that
5 team and also thank the Committee for helping us
6 get to this date. Thank you.

7 CHAIRMAN KEESE: Thank you. Thank you,
8 gentlemen.

9 Item 3, East Altamont is put over. Item
10 4, Renewable Portfolio Standard Program
11 Implementation. Commission order authorizing the
12 Renewables Committee to work collaboratively with
13 the CPUC to implement the renewable portfolio
14 standards program.

15 MR. HERRERA: Good morning,
16 Commissioners. Gabriel Herrera; I'm with the
17 Legal Office; I'm here with Marwan Masri from the
18 technology systems division. And we're here to
19 seek approval of a proposed Commission --

20 CHAIRMAN KEESE: Mr. Herrera, I'm going
21 to interrupt for one second because I failed to do
22 something last week at our last meeting. And I'm
23 on the verge of failure again.

24 I did want to acknowledge that we have a
25 new Executive Director, and it just seems that we

1 should, at some point, acknowledge that we do have
2 a new Executive Director, Mr. Therkelsen, in our
3 presence. And if we let it go any longer we'll
4 probably forget again, and you'll be an old-timer
5 before we acknowledge your joining us.

6 EXECUTIVE DIRECTOR THERKELSEN: Thank
7 you, Commissioners. I guess I consider myself an
8 old-timer, but appreciate your vote of confidence
9 in placing me in this position.

10 And it's because we've got a great staff
11 and a great bunch of Commissioners that I was,
12 frankly, willing to take this job. So, thank you,
13 all.

14 CHAIRMAN KEESE: Thank you. Sorry to
15 interrupt, Mr. Herrera.

16 (Applause.)

17 CHAIRMAN KEESE: Such an old-timer that
18 we just took him for granted.

19 (Laughter.)

20 CHAIRMAN KEESE: And we do not want to
21 take our Executive Director for granted.

22 MR. HERRERA: We're here to seek
23 approval of a proposed Commission order that would
24 authorize the Renewables Committee to oversee
25 implementation of the RPS, the renewables

1 portfolio standards, collaboratively with the
2 CPUC.

3 And the way I plan on presenting this is
4 I'll go over the order and what it details. And
5 then hand it over to Marwan to give just a summary
6 of the RPS-related issues. How we worked jointly
7 with the CPUC to come up with a plan to address
8 those issues.

9 Let me just start with that. What this
10 order does, again, it authorizes the Renewables
11 Committee to oversee implementation of the
12 renewables portfolio standard under Senate Bill
13 1078. It also authorizes the Renewables Committee
14 to work collaboratively with the CPUC in
15 establishing guidelines so that the CPUC employees
16 can work here closely with CEC Staff in the same
17 manner that CEC Staff is working with CPUC Staff
18 on the CPUC's ongoing procurement proceeding.

19 It specifically directs the Renewables
20 Committee to initiate a new proceeding which we
21 will call the RPS proceeding. It directs them to
22 address the issues in the work plan that we've
23 jointly established with the CPUC. And also to
24 propose decisions, recommendations, policies,
25 guidelines, et cetera, to facilitate that workplan

1 and facilitate, implement the RPS program in a
2 timely manner.

3 What this order does is it supplements
4 the Renewables Committee's authority under the
5 Commission's order establishing the standing
6 committee; and that was order 02-0828-12. As you
7 know, that Commission order establishes standing
8 committees and authorizes the renewable energy
9 program -- excuse me, the renewables program to
10 oversee implementation of Commission's renewable
11 energy program on the Commission's behalf.

12 And with that I think I'll turn it over
13 to Marwan just to give you an explanation of how
14 we developed this joint workplan with the CPUC.

15 CHAIRMAN KEESE: Thank you. As you know
16 the Commissioners all now are working more
17 collaboratively with the Public Utilities
18 Commission. And you know also that we have a
19 joint meeting next Tuesday, I believe it is, with
20 the PUC.

21 So, I think all of us would appreciate
22 understanding this relationship with the PUC
23 between the CEC Staff and the CPUC Staff, so that
24 we can benefit from it in our discussions with the
25 other members of the PUC.

1 MR. MASRI: Okay, thank you, Mr.

2 Chairman. I'll try to be brief. Going back to
3 September 12th last year, the Governor signed two
4 pieces of legislation, very important for the
5 future of renewables in California. SB-1038,
6 Sher, that continues the Commission's authority to
7 fund renewables from the public goods charge. And
8 very related and intricately linked to it, SB-
9 1078, also by Senator Sher, that establishes the
10 RPS in California, renewable portfolio standard.

11 Which basically requires that IOUs
12 increase their purchases of renewables over base
13 amount, which is 2001, by 1 percent, at least 1
14 percent per year. So that by 2017 the share of
15 renewables is 20 percent.

16 It was very clear to us from the outset
17 that these two pieces are very related, and
18 therefore for the success of RPS it requires, it
19 was essential that collaborative process be
20 established with the PUC.

21 The legislation lays out specific
22 responsibilities for each agency, but was also
23 very clear about how these two agencies must work
24 together in order for success to occur.

25 For example, in 1078, it states: It is

1 the intent of the Legislature that the California
2 Public Utilities Commission and the State Energy
3 Resources Conservation and Development Commission
4 implement the California renewables portfolio
5 standard program. So there the two agencies are
6 directed to implement it.

7 And it further states: The California
8 renewables portfolio standard program is intended
9 to complement the renewable energy program
10 administered by the State Energy Resource
11 Conservation and Development Commission as
12 established pursuant to section 383.5 and 445.

13 This is where the Renewables Committee
14 already oversees the renewables program, which
15 this RPS is to implement as a complement to that
16 program. There's no other way we need to do it.
17 And that's why the item before you today to
18 formally kick off the process.

19 Now, informally we have begun to work
20 with the CPUC Staff. Going back about a month
21 after the legislation passed, which, by the way,
22 it didn't take effect January this year, but we
23 used the fall period to do preparatory work, so
24 that we don't lose any time once that, in fact,
25 takes place. And we basically hit the ground

1 running.

2 About mid October we had a meeting with
3 the CPUC and CEC representatives in the Governor's
4 Office to kick off this process of trying to forge
5 a collaborative process to do this work.

6 Following that, the week after that and
7 for the next four weeks, there were weekly
8 meetings between the CEC Staff and the CPUC Staff,
9 alternating between San Francisco and Sacramento,
10 to try to come up with first of all a schedule for
11 doing the work; what are the issues that we need
12 to resolve in order to implement the legislation;
13 what issues fall squarely within a particular
14 agency's decision purview; and which issues are a
15 joint decisionmaking process; what forums are
16 appropriate for each decision and issue of
17 resolution, be it informal staff paper, or an
18 informational workshop, or evidentiary hearing;
19 and different issues lend themselves to different
20 degrees of formality.

21 Out of that came a work plan that lays
22 out what I just said, what the issues are, what
23 the responsibilities of each agency is, what the
24 general schedule for resolving these issues are,
25 and what the distinct responsibilities for each

1 agency is.

2 But, given the areas where agencies who
3 identify as having distinct responsibility, for
4 example, this agency is responsible for
5 identifying eligible technologies; is responsible
6 for developing a tracking verification system.
7 Even those clearly -- those are clearly in one
8 agency, and require collaborative staff work in
9 order for them to succeed.

10 The CPUC then, that workplan was
11 transmitted to the Governor's Office by December
12 12th. A week later the CPUC announced the work
13 plan in a decision, and identified attached
14 workplan as the way to proceed, to implement the
15 RPS jointly.

16 We have since then conducted, last week
17 and this week, the first of two workshops at the
18 CPUC where the items are clearly in the CPUC area
19 of decision making. Our staff is in a support
20 position there, jointly conducting the workshops
21 with the CPUC Staff. We are not a party
22 submitting comments and testimony, we basically
23 are one with the CPUC Staff providing advice to
24 decisionmakers.

25 And we hope, as Gabe mentioned, that

1 when we develop this proceeding here, the CPUC
2 Staff will get equal status in participating in
3 this agency's portion of the RPS.

4 I think we have come now where the
5 process is really in place, and we're asking for
6 the official blessing of this Commission to
7 continue this under the direction of the
8 Renewables Committee.

9 We think so far it has worked well, and
10 the staff is involved on both sides, really have
11 shown very good cooperation. And the schedule is
12 very intensive and very short. The three-phase
13 approach laid out in the work plan calls for
14 decisions in the next month or two. Phase one,
15 and then by June it's phase two, and then by the
16 end of the year it's phase three.

17 So it requires this cooperation and it
18 has been happening and going well so far. I'd be
19 happy to answer any questions you have about that.

20 CHAIRMAN KEESE: Thank you. Any
21 questions here?

22 COMMISSIONER GEESMAN: Mr. Chairman.

23 CHAIRMAN KEESE: Commissioner Geesman.

24 COMMISSIONER GEESMAN: I would move
25 approval, and also reiterate what Marwan said.

1 The staff level cooperation on this has been
2 exemplary. And it's a difficult schedule. We
3 will have decisions coming before us; we'll have
4 decisions going before the PUC in the months
5 ahead. And hopefully the collaboration will
6 continue to strengthen.

7 We've briefed the Governor's Office on
8 the status and at least at this early phase
9 everyone seems to be amazed that things have
10 worked so smoothly, including myself.

11 CHAIRMAN KEESE: Thank you. We have a
12 motion by Commissioner Geesman.

13 COMMISSIONER BOYD: I'll second it.

14 CHAIRMAN KEESE: Seconded by
15 Commissioner Boyd.

16 COMMISSIONER BOYD: And compliment the
17 staff, as well, for the good work they've done.

18 CHAIRMAN KEESE: Thank you.

19 All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed? Adopted four
22 to nothing. Thank you, Mr. Misemer.

23 Item 5 is put over until our next
24 meeting on March 19th.

25 Item 6, Energy Conservation Assistance

1 Act Account. Possible approval of a \$390,000 loan
2 to the City of Santa Rosa to retrofit two pump
3 stations.

4 MR. CHAUDHRY: Good morning, Mr.
5 Chairman, good morning, Commissioners. I'm Shahid
6 Chaudhry from the Process Energy Group of the
7 Energy Efficiency Division.

8 I'm here to request a loan approval of
9 \$390,000 for the City of Santa Rosa to make
10 retrofit and adjustments at their two wastewater
11 pumping plants. These pumping plants are used for
12 irrigation and agricultural pumping.

13 These recommendations are being
14 implemented through the recommendations of HDR
15 Engineering Consultants. This will take about two
16 years to implement. And as a result of these
17 changes and retrofitting, it is expected that the
18 City of Santa Rosa will be able to save
19 approximately \$270,000 per year.

20 The program requires that the payback
21 should be written eight and a half years. Through
22 these changes the City would be able to pay back
23 our loan in about five and a half years.

24 Consequently this falls within the
25 jurisdiction of the program. Staff is fully --

1 has determined that the City would be able to
2 implement all these changes, and would be able to
3 return the loan back within the specified period
4 of time.

5 CHAIRMAN KEESE: Thank you. I would
6 note that the process by which we are approving
7 this, and loaning the money is either from the
8 bond funds or from our funds. So we have this
9 option, if the bonds proceed forward, that's the
10 source.

11 Do I have a motion?

12 COMMISSIONER ROSENFELD: The Efficiency
13 Committee is happy with this project, so I so
14 move.

15 CHAIRMAN KEESE: Motion, Commissioner
16 Rosenfeld.

17 COMMISSIONER GEESMAN: Second.

18 CHAIRMAN KEESE: Second, Commissioner
19 Geesman. Any questions?

20 All in favor?

21 (Ayes.)

22 CHAIRMAN KEESE: Opposed? Adopted four
23 to nothing. Thank you.

24 Item 8 is put over until the March 19th
25 meeting.

1 Item 9, California Council --

2 MS. PATTERSON: What about 7?

3 CHAIRMAN KEESE: I'm sorry, oh, just
4 that little item.

5 (Laughter.)

6 CHAIRMAN KEESE: Susan, I'm never going
7 to get in your way. Item 7, the PIER annual
8 report. Possible approval of the PIER annual
9 report to the Legislature.

10 MS. PATTERSON: The jewel you're talking
11 about?

12 CHAIRMAN KEESE: It's sitting here in
13 front of me.

14 MS. PATTERSON: Good morning, Chairman
15 Keese, Commissioners, and welcome back to the
16 Energy Commission, Mr. Geesman.

17 I'm Susan Patterson, Manager of the
18 Technology Transfer Program for the Public
19 Interest Energy Research program. I have the 2002
20 Public Interest Energy Research annual report to
21 the Legislature for your consideration.

22 This report was prepared under the
23 direction of the RD&D Committee and PIER
24 management. It's a two-volume report. You only
25 have volume one. Volume two is a lengthy summary

1 of all the 234 projects that have been, and are
2 currently being, funded through PIER. It's a
3 status report required by SB-90.

4 To date, PIER has spent over \$230
5 million, and funded, as I said, 234 research
6 projects.

7 As you know, research results don't
8 happen overnight. This year's report highlights
9 the success stories that are emerging from five
10 years of RD&D. Positive results and successful
11 technology demonstrations that have widespread
12 applications will continue to be promoted through
13 business incubators, venture capital forums, and
14 our own website reports and fact sheets.

15 Some of the emerging products and
16 technologies, if you're interested in hearing, I
17 could just highlight a couple of the successes
18 that we've seen through PIER.

19 One is a small scale gas turbine that
20 lowers emissions of NOx and carbon monoxide and
21 unburned hydrocarbons to below 2 parts per
22 million, which is a significant reduction from the
23 conventional 15 parts per million.

24 Laboratory fume hood that reduces air
25 flow by up to 70 percent, compared to the standard

1 fume hoods, which result in about \$1000 in energy
2 savings per hood and 360 gigawatt hours of
3 electricity statewide.

4 COMMISSIONER ROSENFELD: \$1000 per year
5 per hood.

6 MS. PATTERSON: Per year, excuse me.

7 COMMISSIONER ROSENFELD: I'm just
8 rubbing it in.

9 (Laughter.)

10 MS. PATTERSON: Let's see, a more
11 efficient power cycle that replaces conventional
12 water with a mixture of ammonia and water
13 resulting in efficiency gains of up to 50 percent
14 in geothermal plants, and 20 percent in coal-fired
15 plants.

16 So these are just some of the
17 technologies that we're seeing emerging from the
18 PIER program.

19 Now for 2002, as mentioned by Marwan,
20 SB-1038, which was signed into law by Governor
21 Davis, restated the goal of the PIER program and
22 directed the Commission to use a portfolio
23 approach to achieve the goals, the PIER goals.
24 And it also required the Commission to reappoint
25 an independent review panel. And to report

1 beginning this year on the actual costs and
2 results of projects, compared to their expected
3 costs and benefits, which we had been reporting in
4 the past. This report includes that.

5 In addition, SB-1038 now allows the
6 Commission to become involved in commercialization
7 activities related to PIER and we're hoping that
8 that will allow us to help some projects and
9 technologies avoid the commercialization valley of
10 death.

11 So, one added thing. Appendix A, which
12 is the very huge huge summary of report of project
13 summaries will now be found in a plastic sleeve in
14 the back on a CD, in the back of the report. So,
15 we're saving lots of paper this year. And the
16 entire report will be available on CD, as well,
17 the volume on overview which we'll be transmitting
18 to the Legislature.

19 CHAIRMAN KEESE: Thank you, Ms.
20 Patterson.

21 COMMISSIONER ROSENFELD: Can I move
22 the --

23 CHAIRMAN KEESE: You certainly can.

24 COMMISSIONER BOYD: I'll second that.

25 CHAIRMAN KEESE: Motion, Commissioner

1 Rosenfeld; second, Commissioner Boyd. Any further
2 comments?

3 All in favor?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed? Four to
6 nothing.

7 MS. PATTERSON: Thank you.

8 CHAIRMAN KEESE: Handled quickly, but a
9 very excellent job.

10 COMMISSIONER BOYD: Mr. Chairman, a
11 moment of privilege, if I might. I missed a
12 couple meetings of this Commission, and I don't
13 know if we've ever taken cognizance of the fact
14 that Susan is the new Chairman of the SMUD Board
15 for this year. And I was privileged to be there
16 the night she was sworn in and see her take her
17 new office recently.

18 CHAIRMAN KEESE: Thank you.

19 COMMISSIONER GEESMAN: Congratulations.

20 MS. PATTERSON: Thank you very much. I
21 was very impressed with how quickly the Magnolia
22 Power Plant license went through.

23 COMMISSIONER BOYD: Let that be a
24 lesson. No lobbying allowed.

25 (Laughter.)

1 CHAIRMAN KEESE: Thank you. All right,
2 now is the right time to announce that item 8 is
3 over. And item 9 is before us.

4 The California Council of Science and
5 Technology. Possible approval of a contract 500-
6 02-021 for \$298,000 to support an independent
7 review of the Public Interest Energy Research
8 program. Good morning.

9 MS. LIBONATI: Good morning. I'm Nancy
10 Libonati representing the PIER program today. And
11 I was trying not to make this comment, but I just
12 wanted to say that the last time that, or my
13 comment is regarding Bob Therkelsen being around
14 for a long time.

15 The last time I came before the
16 Commission was for the original CCST contract in,
17 I'm not sure, but I think it was 1989. And he was
18 the Acting Executive Director that day.

19 (Laughter.)

20 MS. LIBONATI: So here I am again. It
21 doesn't feel like a new Executive Director.

22 In any case, I'm representing the PIER
23 program today, and we're asking you to approve a
24 contract with the California Council on Science
25 and Technology in the amount of \$298,000.

1 The contract will run, I believe, about
2 21 months, a little less than two years. SB-1038,
3 enacted in January, just this last January,
4 requires that a follow-on PIER program review be
5 undertaken by a panel of independent experts. The
6 Commission previously contracted with CCST to form
7 and support an independent panel. That resulted
8 in evaluation of the program that went to the
9 Governor and Legislature in 1999, and again, the
10 final in 2001.

11 And similarly, for this review, we're
12 recommending that we again contract with CCST.
13 And the reasons for that include insuring
14 continuity with the previous review; this unique
15 effort to foster independence and also bring the
16 necessary expertise and management oversight,
17 which I think I believe that CCST is uniquely
18 qualified to do.

19 For this contract CCST will both form
20 the panel and support the panel, so that they can
21 prepare a review. The review will evaluate the
22 PIER program and it will result in two reports, a
23 preliminary report to the Governor and Legislature
24 in March of '04, and a final report in January the
25 following year, '05, six months later.

1 CCST was established in about 1988 by
2 the Legislature and Governor, and their modeled,
3 in part, after the National Research Council.
4 They are a nonpartisan and partial non-for-profit
5 corporation designed to offer expert advice to the
6 state on science- and technology-related policy
7 issues.

8 CCST has a compatible mandate with our
9 mandate for this independent review. And they're
10 established as a network of experts via Council
11 Members, Board Members and Fellows. And I think
12 it's real important to say that they performed
13 well in our original contract.

14 And as I mentioned before, I think that
15 they're uniquely qualified to manage this type of
16 an effort.

17 The review, itself, will include a
18 status of our PIER program response to the
19 previous independent review panel recommendations.
20 It will include issues regarding managing research
21 and development within a state agency. And long-
22 term strategies, commercialization and program
23 evolution issues.

24 The first task that CCST will be asked
25 to undertake is to form this panel. And to do

1 that they'll be seeking a mix of expertise,
2 including energy technology, R&D, individuals with
3 a knowledge of government systems and rules,
4 economics and markets, energy policy, particularly
5 with the California context, an environmental
6 impacts and public health.

7 We expect a maximum somewhere between
8 eight and 12 panel members to be selected. And
9 those members would be approved or finally chosen
10 by the Research and Development Committee.

11 And so I'm asking for your approval of
12 this contract.

13 CHAIRMAN KEESE: Thank you. And I will
14 mention, as with all the other contract items
15 before us, this sole source contract is exempt
16 from the Governor's executive order sole source
17 contracts because it is a PIER contract.

18 MS. LIBONATI: And the other comment
19 that I meant to mention was that we have followed
20 up with the Resources Agency about regarding
21 whether this contract, because it funds a panel to
22 do an evaluation, as opposed to advice to the
23 Commission, that -- anyway, we followed up with
24 the Resources Agency, and they seem to concur with
25 us that it is exempt from the Governor's order

1 regarding limiting policy advisory committees to
2 one meeting a year.

3 CHAIRMAN KEESE: Thank you.

4 COMMISSIONER ROSENFELD: I move --

5 CHAIRMAN KEESE: Motion, Commissioner
6 Rosenfeld.

7 COMMISSIONER GEESMAN: Second.

8 CHAIRMAN KEESE: Second, Commissioner
9 Geesman. Any other comment?

10 All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed? Thank you,
13 four to nothing.

14 Item 10, Argonne National Laboratory.
15 Possible approval of contract 500-02-022 for \$1
16 million to develop and demonstrate an advanced
17 laser ignition integrated ARICE system for
18 distributed generation in California.

19 MR. BINING: Good morning.

20 CHAIRMAN KEESE: Mr. Bining.

21 MR. BINING: My name is Avtar Bining.
22 And I manage Advanced Reciprocating Internal
23 Combustion Engines; also popularly known as ARICE
24 program by the Energy Commission.

25 This item before you for your approval

1 is for a contract with Argonne National Lab to
2 develop and demonstrate an advanced laser ignition
3 integrated ARICE system for distributed generation
4 in California.

5 The \$1 million coming from the Energy
6 Commission's Public Interest Energy Research
7 program will leverage about \$2.2 million from the
8 U.S. Department of Energy for a total project cost
9 of \$3.2 million.

10 The Department of Energy, Argonne
11 National Lab, Waukesha Engines, Altronics,
12 Southwest Research Institute, Colorado State
13 University and National Energy Technology Lab are
14 all partners in this project consortium.

15 This engine technology will reduce
16 engine emissions of nitrogen oxides by more than
17 100 times. And will improve engine efficiency by
18 more than 30 percent.

19 The estimate of benefits for California
20 from the use of these cleaner efficient engines
21 are in the range of 100 million to 300 million.

22 I request approval of this item, and I
23 will be happy to answer any questions.

24 CHAIRMAN KEESE: Thank you. I do have
25 one question. I've reviewed all the background on

1 this technology. Is there an absolute sense that
2 we know this technology will work? We just have
3 to figure out how to apply it?

4 MR. BINING: Yes. Some of the earlier
5 work that has been done on this technology has
6 come up with very positive results, both for
7 reducing emissions and for improving the
8 efficiency.

9 The current engines that are using spark
10 igniter systems can improve the efficiency and the
11 emissions only to a certain point. With the
12 engines that we require here in California,
13 according to new distributed generation emission
14 standards developed by California Air Resources
15 Board, will require these kinds of more advanced
16 technologies.

17 And in this project what we are trying
18 to do is to develop a very compact laser ignition
19 system that can be integrated with the engine
20 system. The technology works, but the machine
21 that people have been using at this time to do
22 these kinds of tests is huge and very expensive.
23 But some of the work that Argonne National Lab has
24 done and some of the other partners that I
25 mentioned that shows that we can do this.

1 CHAIRMAN KEESE: So, I guess in the
2 spectrum of research and development, we're more
3 in the development phase with this project. The
4 research has been done. We know it will work.
5 Now it's how to size it properly?

6 MR. BINING: Yes, we hope to complete
7 this project within two years. And because all
8 the important partners in this project are very
9 much committed to do this project, we hope to get
10 these engines to the marketplace within two to
11 three years.

12 CHAIRMAN KEESE: Thank you. Any other
13 questions here?

14 COMMISSIONER BOYD: Question, Mr.
15 Chairman.

16 CHAIRMAN KEESE: Commissioner Boyd.

17 COMMISSIONER BOYD: I follow these kinds
18 of things fairly closely and I'm very impressed
19 with this, as Mr. Bining knows, he gets to brief
20 me quite regularly.

21 I wanted to know, but I didn't ask him
22 before, and I wondered if this technology has any
23 transfer capabilities to other typically spark
24 ignited engines in the future.

25 MR. BINING: Yes. To be on the safe

1 side we are trying to use this technology on
2 gaseous fuels. This laser technology, because it
3 works on the optical phenomena, works very well
4 with gaseous fuels. But with the liquid fuels
5 there are some more challenges to overcome.

6 But once we perfect this technology with
7 the gaseous fumes, we hope to transfer this to
8 other fuels, as well.

9 COMMISSIONER BOYD: Thank you.

10 CHAIRMAN KEESE: Thank you. Can we get
11 a motion on this?

12 COMMISSIONER BOYD: I move approval.

13 CHAIRMAN KEESE: Motion, Commissioner
14 Boyd.

15 COMMISSIONER ROSENFELD: Second.

16 CHAIRMAN KEESE: Second, Commissioner
17 Rosenfeld. Any other comment?

18 All in favor?

19 (Ayes.)

20 CHAIRMAN KEESE: Opposed? Adopted four
21 to nothing. Thank you.

22 Item 11, Aspen Systems Corporation.
23 Possible approval of contract 300-99-014,
24 Amendment 1, to extend the contract date.

25 MS. KANDEL: My name is Adrienne Kandel.

1 Staff recommends approval of this no-cost contract
2 extension.

3 This contract is for a nonresidential
4 marketshare tracking study which uses surveys plus
5 literature search to gather information on market
6 shares of energy efficient technologies in the
7 nonresidential sectors, and of purchasing and
8 sales behaviors to aid in the design and
9 evaluation of energy efficiency programs.

10 The contractor is Aspen Systems
11 Corporation of Rockville, Maryland, not the same
12 Aspen as earlier on the agenda. And the proposal
13 is simply to move the end date of the contract
14 from March 31, 2003 to December 31, 2003, without
15 any change in funding.

16 CHAIRMAN KEESE: Thank you. Do we have
17 a motion?

18 COMMISSIONER ROSENFELD: I move.

19 CHAIRMAN KEESE: Motion, Commissioner
20 Rosenfeld.

21 COMMISSIONER GEESMAN: Second.

22 CHAIRMAN KEESE: Second, Commissioner
23 Geesman.

24 All in favor?

25 (Ayes.)

1 CHAIRMAN KEESE: Opposed?

2 MS. KANDEL: Thank you. I also have an
3 agenda --

4 CHAIRMAN KEESE: -- working.

5 MS. KANDEL: I also have a minor agenda
6 correction. On item 11 we're in the writeup.

7 CHAIRMAN KEESE: Correct. That date has
8 changed from June 30th to March 31st.

9 MS. KANDEL: Oh, you've got it? Okay.

10 CHAIRMAN KEESE: I think you mentioned
11 that in your testimony.

12 MS. KANDEL: Thank you very much.

13 CHAIRMAN KEESE: Thank you.

14 Item 12, California Air Resources Board.
15 Possible approval of contract 500-02-023 for \$2.5
16 million to obtain information that can be used to
17 better understand and quantify the relationship
18 between indoor air, environmental quality and
19 energy use. Good morning.

20 MR. BIRKINSHAW: Good morning,
21 Commissioners. My name, for the record, is Kelly
22 Birkinshaw. I manage the Public Interest Energy
23 Research program environmental area.

24 And what I have for your consideration
25 this morning is a possible \$2.5 million

1 interagency agreement with the California Air
2 Resources Board.

3 The primary goal of this agreement is to
4 obtain information that can be used to better
5 understand and quantify the relationship between
6 indoor air quality and energy use, and provide
7 guidance to other Energy Commission programs, such
8 as our building standards, as well as other
9 technology oriented research on the PIER program,
10 particularly in our buildings end use efficiency.

11 There are really two major elements to
12 this contract. The first builds upon an earlier
13 million-dollar project that Health Services and
14 the Air Resources Board conducted on portable
15 classrooms here in California.

16 We would propose to re-analyze some of
17 the vast data that they collected in that project
18 and extend the survey work data collection to
19 small and medium office buildings, as well as
20 single family residences.

21 This is a particularly important project
22 when one considers that California spends
23 something on the order of 80-plus percent of their
24 time indoors, and loss of productivity is on the
25 order of \$5- to \$6-billion per year here in the

1 state.

2 The contract has value for what is going
3 on at the Air Resources Board, and clearly
4 considerable value here in the Energy Commission.
5 It represents the growing collaboration between
6 our two agencies. And we have the advantage of
7 having access to technical experts within the
8 research division of the Air Resources Board that
9 have been working on these issues for the last 15
10 or more years.

11 So, I would ask for your consideration
12 and approval of the contract. And I'd be happy to
13 answer any of your questions.

14 CHAIRMAN KEESE: Thank you. I note it's
15 a five-year contract. Do we expect the \$2.5
16 million to be spent somewhat annually, or --

17 MR. BIRKINSHAW: Well, --

18 CHAIRMAN KEESE: I mean, it's going to
19 be contracts by the ARB, I understand?

20 MR. BIRKINSHAW: Yes. The Air Resources
21 Board will, in turn, be contracting with
22 subcontractors to do various parts of this
23 project. And the staff of the Air Resources Board
24 and our staff will be jointly managing those
25 activities.

1 I actually anticipate the project
2 getting completed before the full five-year term.
3 But we wanted to give ourselves some leeway --

4 CHAIRMAN KEESE: Thank you, --

5 MR. BIRKINSHAW: -- as it better
6 develops --

7 CHAIRMAN KEESE: -- thank you. That
8 answers the question I had.

9 Do we have a motion?

10 COMMISSIONER ROSENFELD: I move.

11 COMMISSIONER BOYD: I second the motion.

12 CHAIRMAN KEESE: Motion, Commissioner
13 Rosenfeld. Second, Commissioner Boyd.
14 Commissioner Boyd, did you want --

15 COMMISSIONER BOYD: I just wanted to
16 acknowledge Bart Croes in the audience, Chief of
17 the Research Division at ARB, and obviously
18 intimately involved and interested in this
19 project.

20 Thank you for being --

21 MR. BIRKINSHAW: Actually, I think Bart
22 has a few comments to make to the Commission, as
23 well.

24 CHAIRMAN KEESE: All right. This is the
25 time for other comments.

1 MR. CROES: Thank you. I'll try to be
2 brief. First, we really appreciate the
3 opportunity to participate in this joint project
4 with CEC. I think it builds on some of our
5 existing relationships and successful projects.

6 And we feel that indoor air pollution
7 has a major impact on public health in California,
8 and we strongly feel this project will provide
9 important information to help define the problem
10 and identify solutions to it.

11 So, thank you very much for considering
12 this.

13 CHAIRMAN KEESE: Thank you. We have a
14 motion and a second.

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed? Adopted four
18 to nothing. Thank you.

19 MR. BIRKINSHAW: Thank you.

20 CHAIRMAN KEESE: Minutes, we have the
21 minutes of February 19, 2003. Do I have a motion?

22 COMMISSIONER ROSENFELD: Yes.

23 CHAIRMAN KEESE: Motion, Commissioner
24 Rosenfeld.

25 COMMISSIONER BOYD: Second.

1 CHAIRMAN KEESE: Second, Commissioner
2 Boyd.

3 All in favor?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed?

6 COMMISSIONER GEESMAN: I'd like to be
7 recorded as abstaining on that one. I wasn't at
8 that meeting.

9 CHAIRMAN KEESE: Commissioner Geesman
10 abstains.

11 Three to nothing.

12 Commission Committee and Oversight.

13 Chief Counsel's Report.

14 MR. CHAMBERLAIN: Yes, Mr. Chairman,
15 four weeks ago I brought to you a very favorable
16 decision from the court of appeal in the Metcalf
17 case. There was a petition for re-hearing in that
18 matter, and we responded to that last Friday.

19 If the court does not act either way on
20 that by the end of this week, then the petition
21 for re-hearing is denied as a matter of law. And
22 the decision becomes final in the court of appeal.

23 At that point the petitioner has ten
24 days to file a petition for hearing in the Supreme
25 Court of California. And obviously, when that

1 court acts one way or the other, we will have a
2 final answer to this question.

3 CHAIRMAN KEESE: Thank you.

4 Executive Director's report.

5 EXECUTIVE DIRECTOR THERKELSEN: Good
6 morning, Commissioners. I mentioned in the last
7 business meeting that our Assembly budget hearing
8 was going to be today. In reality that's been
9 shifted off now to next Wednesday, the 12th.
10 That's the tentative schedule.

11 We are going to be meeting with the
12 budget committee staff this afternoon. They have a
13 number of questions of us. In particular they
14 want to know all of the major programs of the
15 Commission, what their accomplishments have been,
16 and how we measure success of those. They've
17 asked for one-pagers on that information; and we
18 will be providing that information to you.

19 They also have some questions about our
20 global climate change programs, our PIER
21 administrative costs, and also want to know what
22 we have done as an agency to comply with the
23 Governor's orders to reduce some of our
24 administrative and other costs. So we will be
25 giving all of that information to them.

1 As the Chairman mentioned, next
2 Wednesday, or next Tuesday we do have the joint
3 meeting. One of the things I wanted to express my
4 appreciation for was to Thom Kelly. He's done a
5 super job helping to pull together some background
6 documents that you have in preparation for that
7 meeting.

8 And I think we want to have a quick
9 executive session afterwards, after this meeting.

10 CHAIRMAN KEESE: We will have a quick
11 executive session.

12 Public Adviser's report.

13 MS. MENDONCA: Mr. Chairman, nothing at
14 this time, thank you.

15 CHAIRMAN KEESE: Public comment? Any
16 public comment?

17 Then, subject to a brief executive
18 session in my office, with legal counsel and Mr.
19 Therkelsen, we will -- it's an executive session
20 on a legal matter.

21 This meeting is adjourned.

22 (Whereupon, at 10:56 a.m., the meeting
23 was adjourned.)

24 --o0o--

CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS WHEREOF, I have hereunto set
my hand this 19th day of March, 2003.

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